



# Petroleum Market Report

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Energy Information Administration  
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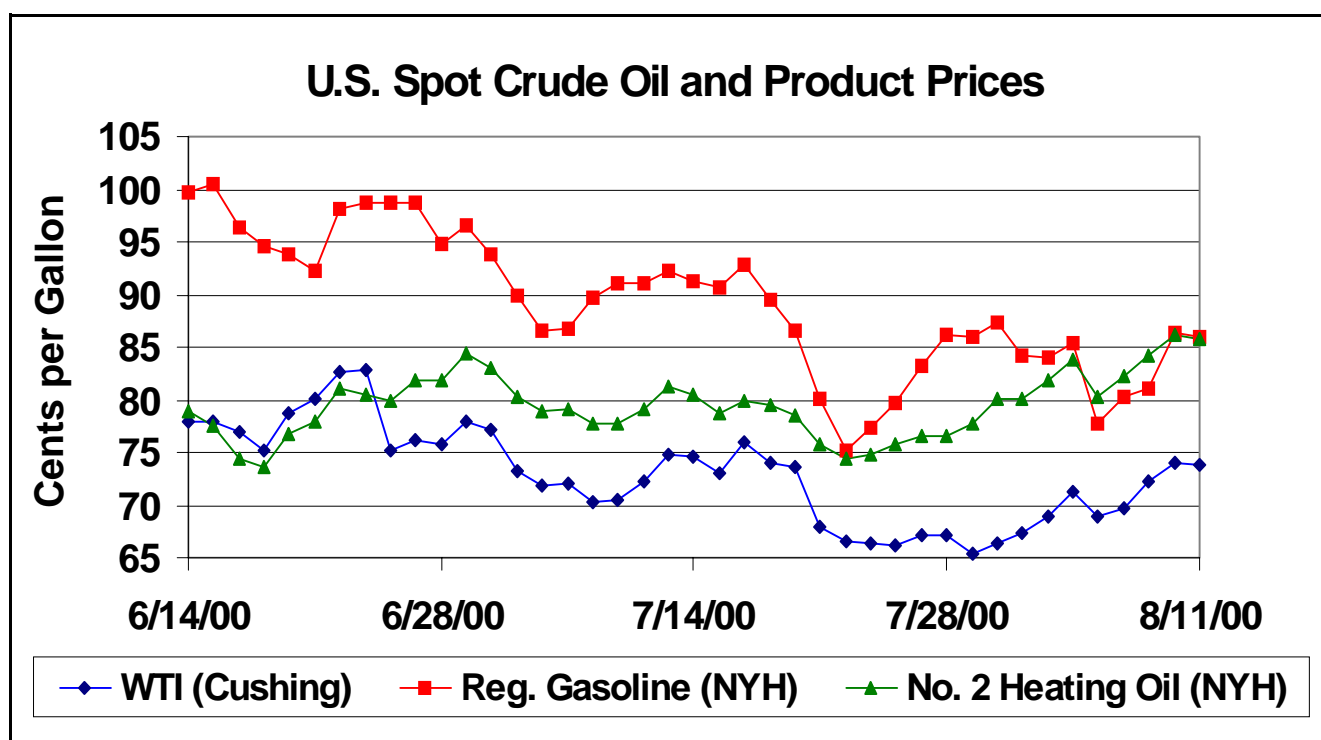
## MARKET SUMMARY

U.S. crude oil and petroleum product prices moved strongly upward for most of last week, after a brief one-day downward correction on Monday. General market sentiment, which had turned bullish in recent weeks in response to continuing delays in proposed output increases from Saudi Arabia and others, has been further boosted by low stock levels and scattered refinery problems. After climbing strongly the previous week on a 10-million barrel crude oil stockdraw, prices were pushed still higher by API's report of a small crude draw for the week ending August 4, reducing inventories to their lowest level in 24 years. Prices turned modestly lower on Friday in pre-weekend profit-taking, but retained net gains for the week.

**Crude oil** - prices fell back on Monday, reversing part of the previous week's gains, but rose strongly for three straight days before a slight retreat on Friday. WTI spot and futures moved above \$31 per barrel on Thursday, for the first time since July 19, and remained barely above that mark on Friday. In addition to the API weekly stockdraw, prices were lifted by reported cuts in Saudi Arabia's crude oil allocations to contract customers for September, and by a warning from OPEC President Ali Rodriguez to cartel members against exceeding the group's output quotas.

**Gasoline** - futures and many spot markets dropped sharply on Monday, reflecting the rumored resolution of a major East Coast refinery problem the previous week, along with profit-taking and a smaller drop in crude oil prices. Markets generally recovered as the week progressed, partially due to a variety of planned and unplanned maintenance at other refineries.

**Distillate** - prices rose in parallel to crude oil, pushing the New York Harbor spot heating oil price to its highest level since March 7. A small stockdraw for the week ending August 4 left inventories more than 27 million barrels lower than a year ago.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 8/11 - falling** - crude oil and product prices eased in pre-weekend shortcovering, following three days of solid increases. Overall market sentiment reportedly remained bullish, focusing on low crude stocks, continuing delays in OPEC output increases, and scattered U.S. refinery problems.
- 8/10 - rising** - prices climbed across the board for a third day, led by gasoline, on a combination of domestic and international factors. Saudi Arabia reportedly reduced crude oil customer allocations for September, while rumored planned and unplanned maintenance at two major Gulf Coast refineries put upward pressure on gasoline prices.
- 8/9 - rising** - spot and futures prices rose marketwide for a second day, as traders appeared to focus on API's report of a crude oil stockdraw to a 24-year low, despite EIA's report of a small build. OPEC President Ali Rodriguez warned members against violating the group's output quotas.
- 8/8 - rising** - all prices turned upward, led by products, ahead of the weekly API and EIA supply reports. Bullish market sentiment returned after Monday's downward correction, supported by OPEC comments and expressed concern about heating oil supplies in EIA's Short-Term Energy Outlook.
- 8/7 - falling** - crude oil led markets lower in profit-taking, with WTI spot and futures prices down more than \$1 per barrel after the previous week's rise. New York Harbor spot gasoline posted the sharpest drop, reflecting improvements in local supply, despite refinery problems elsewhere.
- 8/4 - rising** - prices rose across the board, with the exception of propane which remained flat. Prices continued an overall upward trend since the release of the latest weekly inventory data. Gasoline also rose amid reports of refinery problems in both the Gulf and West Coasts.
- 8/3 - mixed** - all prices rose with the exception of gasoline, as markets continued to react to the weekly crude oil inventory draw recently reported by both API and EIA. The large draw in crude oil stocks caused some traders to not be as confident on Saudi Arabia following through with their announcement made in early July that they would increase their production.
- 8/2 - mixed** - most prices rose, with the exception of gasoline and kerosene jet fuel, as weekly inventory reporting from both API and EIA showed a large draw in U.S. crude oil inventories. However, news that a New Jersey refinery was operating again helped keep gasoline prices down.
- 8/1 - mixed** - most prices generally rose, with the most significant exception being the New York RFG September futures contract, which fell by more than 10 cents from the previous day's expiring August contract.
- 7/31 - mixed** - while crude oil, New York conventional spot gasoline, and propane prices fell, New York RFG futures, heating oil and kerosene jet fuel prices rose as the August product contracts expired. Additionally, production problems at a New Jersey refinery helped propel an increase in New York RFG prices.